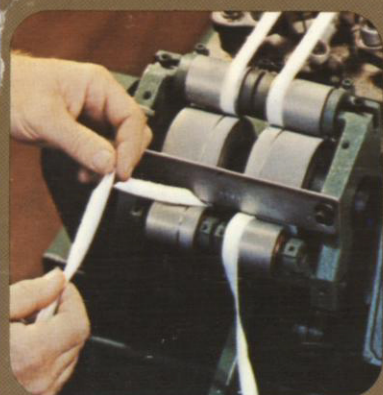
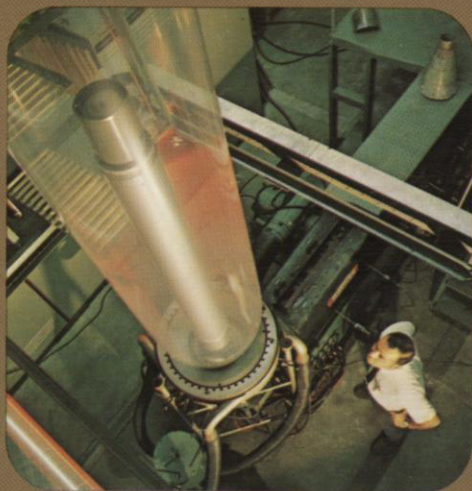
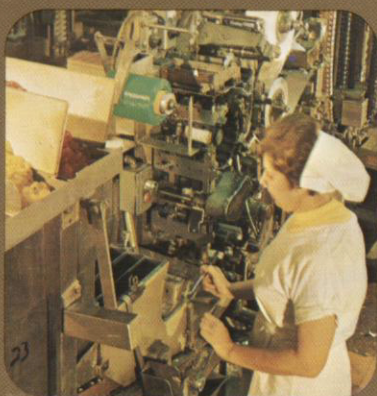
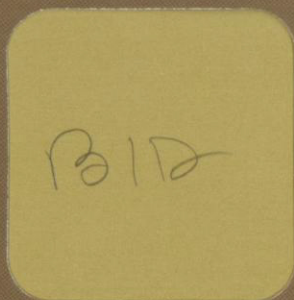




**CROMPTON & KNOWLES  
Corporation**

**ANNUAL REPORT 1969**







## HIGHLIGHTS OF 1969

|                                                | 1969         | 1968         |
|------------------------------------------------|--------------|--------------|
| Net sales . . . . .                            | \$84,852,000 | \$76,011,000 |
| Earnings before taxes . . . . .                | 7,612,000    | 6,670,000    |
| Net earnings . . . . .                         | 3,644,000    | 3,014,000    |
| Stockholders' equity—<br>end of year . . . . . | 35,908,000   | 33,123,000   |
| Average shares<br>outstanding . . . . .        | 2,152,999    | 2,064,536    |
| Per share:                                     |              |              |
| Net earnings . . . . .                         | \$ 1.69      | \$ 1.46      |
| Dividends paid . . . . .                       | .80          | .80          |
| Stockholders' equity . . . . .                 | 16.70        | 16.02        |
| Number of stockholders . . . . .               | 4361         | 4130         |
| Number of employees . . . . .                  | 3100         | 2900         |

### NEW EXECUTIVE OFFICER

*In late May, Frederic W. Howe, Jr., president and chief executive officer since 1953, in preparation for his retirement in 1970 after 43 years of service with the Corporation, moved up to the newly-created post of chairman of the board. Frank J. Graziano was elected to succeed him.*

*Mr. Graziano, 51, has been a director of Crompton & Knowles for the past two years. He had been with American Can Company since 1963, leaving as senior vice president—administration. His business career includes service as director of operations of Continental Copper and Steel Company, and as manufacturing vice president and director of The Monarch Machine Tool Company.*

*Mr. Graziano holds a B.S. degree in electrical engineering from the U.S. Naval Academy and an M.S. degree in mechanical engineering from the Massachusetts Institute of Technology. He served in the United States Navy.*



# REPORT of the CHAIRMAN and the PRESIDENT



Mr. Howe



Mr. Graziano

## To Our Stockholders:

The trend of higher sales and earnings continued through 1969. Sales of \$84,852,000 for the year were the highest in our history. Earnings, at \$3,644,000 or \$1.69 a share, after giving effect to the equivalent of 14 cents a share for the federal income tax surcharge, also set a record for any year since our program of diversification began in 1954.

For the third successive year, coinciding with accelerated growth in markets other than textile, sales of textile equipment were less than half the year's total volume. New businesses acquired since 1954, together with growth of the original textile machinery business and diversification into other fields, produced 83 % of our 1969 sales.

Since 1954, sales have risen from \$14,200,000 to \$84,852,000, and related earnings rose from \$231,000, or 12 cents a share, to \$3,644,000 or \$1.69 a share. In that time the Corporation's business has progressed from the manufacture of weaving equipment in two plants, to that of a diversified producer of broad lines of machinery, colors, flavors, and specialty chemicals serving international markets from 23 plants in this country and abroad.



The post of chairman of the board was created during the year, and a new president and chief executive officer was elected. This assures the uninterrupted continuation of policies which over recent years have led to substantial growth in business, earnings, and the value of stockholders' investment; and which provide a basis for accelerated growth in coming years.

Our plan today is to quicken the pace of our growth. Emphasis is being placed on programs to improve the profitability of our present businesses, to concentrate efforts in growth segments of those markets in which we are presently engaged, and to continue acquisitions of new businesses.

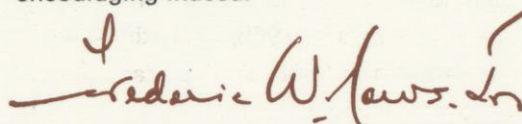
Construction of a new plant in Belgium for the manufacture of textile and other dyes has begun. Production is expected to start in the summer of 1970 and the plant should be in full operation by the close of the year. This facility will serve the European market for our products and the colorant lines acquired at the formation of our Belgian affiliate, Althouse Tertre, S.A. Through coordination of research and other functions with corresponding undertakings in our dye plants in the United States, a more extensive line of products will become available and a more comprehensive penetration of markets throughout the world will result.

A plan to consolidate sections of our machinery operations was advanced considerably by two acquisitions in mid-1969. We acquired two makers of

machinery and parts which, in plants located in North Carolina, serve limited areas of the textile field. New plant construction in North Carolina is scheduled. Some manufacturing operations, transferred from Massachusetts and from the two newly-acquired concerns, will be combined in this new facility. New efficiencies and greater profitability will result.

New product development was especially important in 1969, on which more than \$1.63 million was spent. Together with larger market research activities, even greater weight will be given to product development programs in 1970 in the expectation that a number of promising projects can be brought rapidly to a commercial stage.

Crompton & Knowles had another growth year in 1969. We enter 1970 with talents, facilities, and plans to make the most of our opportunities. This, coupled with present customer quotation activity, points to the prospects for 1970, assuming no serious deterioration in general economic conditions, as being very encouraging indeed.



Frederic W. Howe, Jr.  
Chairman



Frank J. Graziano  
President

January 21, 1970



# FINANCIAL REVIEW

Sales for 1969 totaled a record \$84,852,000, 12 % above 1968's figure of \$76,011,000. Textile equipment accounted for \$41,708,000 or 49 % of the total. Of the remainder, \$21,750,000, or 26 %, was plastics processing and packaging machinery, followed by \$15,481,000, 18 %, in specialty chemicals, and \$5,913,000, 7 %, in automotive products.

The specialty chemicals portion of total sales was considerably higher than in 1968, and the fraction applicable to textile and other machinery was lower, thus continuing a trend of recent years.

Export and foreign sales of C & K manufacture for 1969 were \$15,164,000 or 18 % of total business. For 1968 such sales were \$10,447,000 or 14 % of that year's total. In addition, foreign licensees manufactured and sold \$7.5 million of C & K products in 1969, approximately the same as in 1968, an important source of royalty income.

It is also worth noting that 1969 machinery volume included more than \$19.2 million of service parts and changeover sales. The volume of this type of historically substantial business, together with specialty chemicals, yielded an impressive \$33 million, or 39 %, of 1969's total. Such sales are to be looked



Mr. Barringer

upon as consumable products and therefore reflect an inherent stability and freedom from the cyclical characteristics customarily associated with capital goods.

Profit margins improved in 1969. In that connection it should be noted that \$12.7 million of 1969 total sales represented items purchased and resold, as for example, equipment under representation agreements and purchases from others when needed to deliver complete operating systems. Such purchases also frequently lead to additional business through the distribution of associated C&K products. The absence of any manufacturing operations, however, limits the related profit margins to comparatively nominal percentages of sales. Volume in other nonproprietary lines—for example, \$5.9



million of automotive products—also by its nature results in returns on sales lower than would be the case were proprietary items involved.

Roughly half of 1969's net earnings came from textile machinery business; the remainder was contributed by specialty chemicals, other machinery, and automotive products, in that order.

Earnings per share for each of the eight quarters of the 1968-1969 two-year span showed improvement over that reported for each corresponding quarter in the year previous.

The Corporation's balance sheet at the year-end showed a strong financial condition. Working capital, total assets, and net worth all increased in 1969. Stockholders' equity at the end of the year was \$35.9 million and long-term debt of \$7.3 million is modest in relation to that sum.

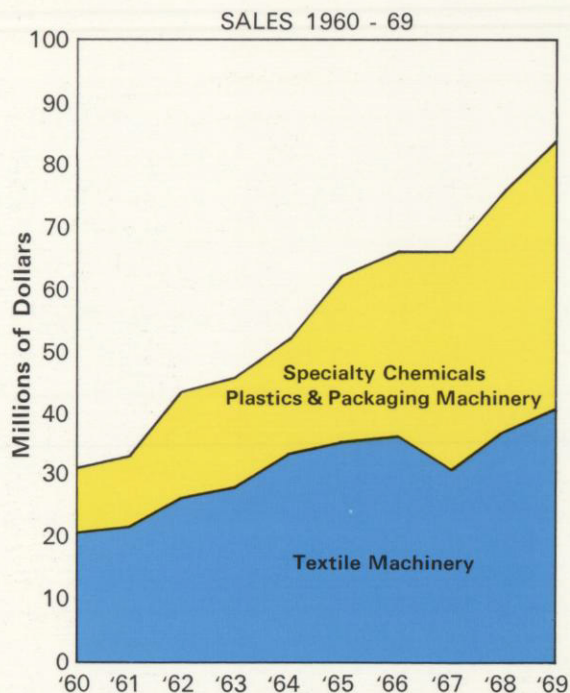
Current financial condition, low debt ratio, and simple capital structure provide a sound base and the flexibility with which to carry out growth and acquisition programs which, apart from debt above and working capital borrowings, hitherto has been financed with funds generated internally.

A dramatic measure of the extent of growth over the last fifteen years is to be found in the portion of the year's \$84.9 million sales volume ascribed to new businesses acquired during the period. For the year 1969 those businesses furnished sales volume of over \$63 million, including internal growth since acquisition of roughly \$28 million.

During the past decade more than \$24 million was spent in improving manufacturing facilities. Seven new plants were built and sizable investments were made in new machinery and in plant expansions. Expansion and modernization will continue in the seventies, and two new plants will be added in 1970.

Cash dividends at the annual rate of 80 cents a share were paid quarterly in 1969. For more than sixty years cash dividends have been paid annually on common stock with the exception only of 1932.

Backlog of customers' commitments at the end of 1969 for new machinery and truck components totaled \$24 million. Orders for specialty chemicals and machinery repair parts are filled from inventory stocks, and thus are not included in backlog totals.



*James Barringer*

James Barringer  
Executive Vice President



# TEXTILE MACHINERY

*Sales \$41,700,000*

*Weaving machinery for apparel fabrics, towels, draperies, upholsteries, bedspreads and narrow fabrics*

*Nonwoven systems for floor and wall coverings, blankets, disposable fabrics, and papermakers' and industrial felts*

*Mali machinery for apparel, industrial and home furnishings fabrics*

*Blending, carding and yarn-making machinery for yarns of natural, synthetic and blended fibers used in carpets and woven and knitted fabrics*

*Equipment for finishing woven, knitted and nonwoven fabrics*

*Eleven plants located in California, Georgia, Massachusetts, North Carolina, Rhode Island, South Carolina and Texas*

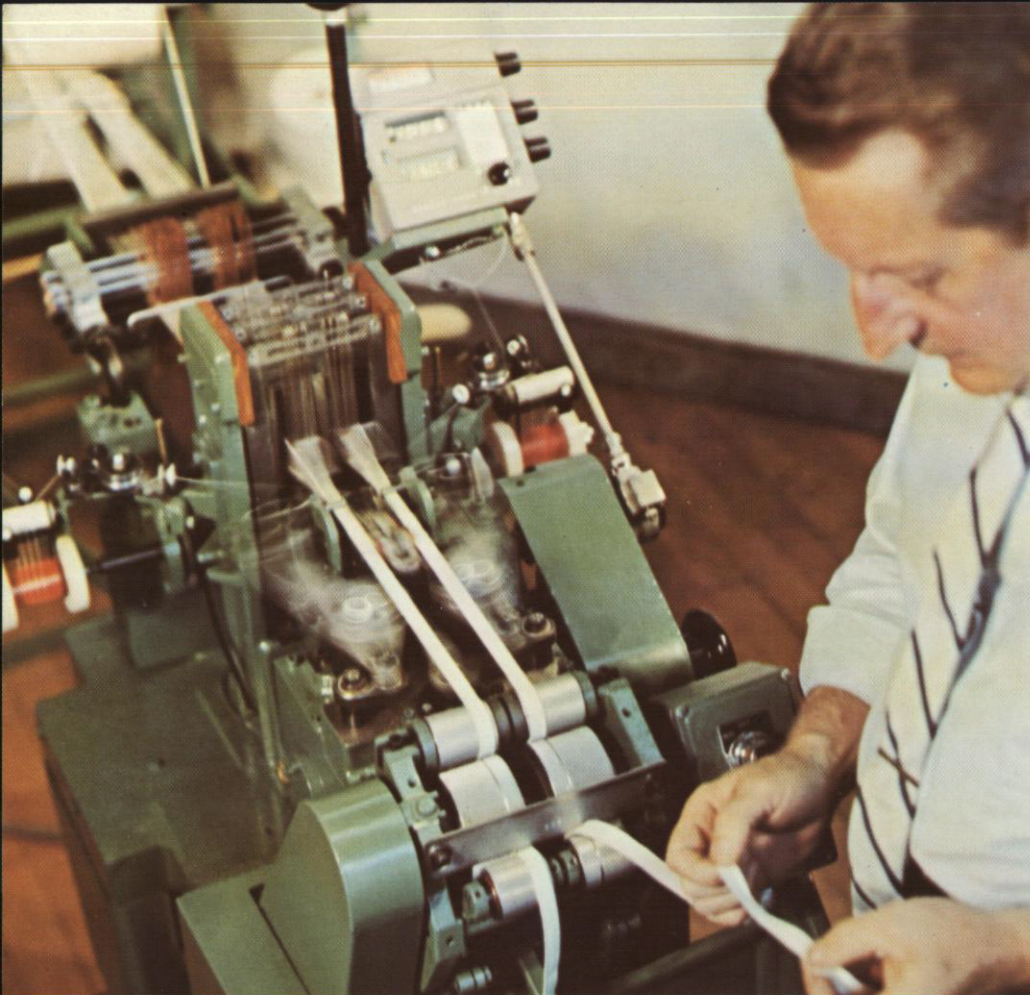
Textile machinery experienced an excellent year in 1969. Sales were up 13 % from those of 1968. Record sales of needle looms, higher demand for conventional weaving machinery and blending equipment, as well as acquisitions, led to the increase. The larger volume of business resulted in group profits 34 % above those of 1968.

Basic objectives continue to be emphasis on growth segments of the textile machinery market to supplement relatively mature lines; continued improvement of production capabilities by rearranging and

Modern electric furnaces at the Mooresville Plant located in the heart of the Southern textile industry significantly improve quality and service on repair parts for our customers.







C & K's needle loom is ahead of competition anywhere in the world, and a record number were sold in 1969. It serves the expanding markets for zipper tape, elastics for pantyhose and underwear, and other narrow fabrics.

consolidating manufacturing facilities, especially those of the Worcester Division; and acquisition of domestic or foreign businesses in opportunity areas related to present product lines.

The Hunter Division continued its leadership in the field of nonwovens and made significant shipments to the paper and synthetic felt industries. A new model Fiber/Locker was successfully introduced at the 1969 International Textile Machinery Exhibition. The capacity of this new machine for the production of lightweight nonwovens and disposables is greatly in excess of comparable predecessors. Marked progress has been made toward the development, from fiber to salable product, of a complete system to produce disposable fabrics.

6 An important outlet for textile

equipment in 1969 was the carpet industry, growing at the rate of 12 % yearly. Demand for equipment for the opening and blending of long staple carpet yarns was particularly strong. Shipments of complete systems for use in the production of indoor-outdoor carpet were maintained at high levels.

The fast-growing knitting industry, which is expanding its output at a rate of approximately 18 % annually, has become an important customer for our products. An increasing call by knit goods producers for blended synthetic yarns has supported continued sales of our automatic blending equipment during the year. Extremely encouraging progress toward entry into the attractive market for knitting machinery was marked by the excellent headway made in product development during the year.



Other product development programs broadened our market for narrow fabric needle looms. A new direct card feed, employing optical principles, advances significantly the control of quality in yarn production. Progress was also made in adapting the shuttleless outside filling supply weaving machine to additional types of fabrics.

Additional market opportunities involving the Mali technique of fabric production are being sought and evaluated.

There were sizable accomplishments in the improvement of production facilities, especially those of the Worcester Division. The acquisitions at mid-year of Holshouser's, Inc., in Mooresville, N.C. and the Sykes Foundry & Machine Company, Inc., Burlington, N.C., added the basis for a further improvement of customer service in the textile region of the South. At the same time they provided the nucleus of an organization for a new manufacturing facility in Burlington. This new plant to be built in 1970 is an essential step in the planned improvement of operating efficiencies in our weaving machinery division.

Present order backlog is consistent with the level of a year ago. Current outlook for our textile machinery lines is encouraging in the light of expected general business conditions, although weaving machinery demand may face a possible softening during the first part of 1970.

## AUTOMOTIVE

*Sales \$5,900,000*

Sales of truck components increased in 1969. Higher volume and improved efficiencies of new equipment installed in 1968 brought about better results than



These attractive shoes were fashioned from Genset Corporation's Jentra™ 3 manmade leather produced from base nonwoven materials made on C & K's Hunter equipment.

those of last year. Crompton & Knowles continues to be a significant supplier of certain components of the highly popular line of light trucks of one of the major automobile manufacturers.



# SPECIALTY CHEMICALS

*Sales \$15,500,000*

*Dyes and chemicals for fabrics and yarns of synthetic and natural fibers*

*Flavors for soft drinks, liqueurs, candies, bakery and dairy products and pharmaceuticals*

*Fragrances for perfumes and cosmetics*

*Colors for foods, drugs and cosmetics*

*Colors for plastic products*

*Eight plants located in Illinois, New Jersey, Ohio and Pennsylvania and in Belgium and the Netherlands*

Specialty chemical operations in 1969, benefiting from growth expenditures the previous year, were marked by increases in both sales and earnings of Althouse dyestuffs, certified food colors, and plastics colors.

During the first full year of ownership of our European flavor businesses, management was strengthened, product development programs were improved, and marketing capabilities broadened. Earnings

improved over those of 1968 and substantial further progress during 1970 is anticipated.

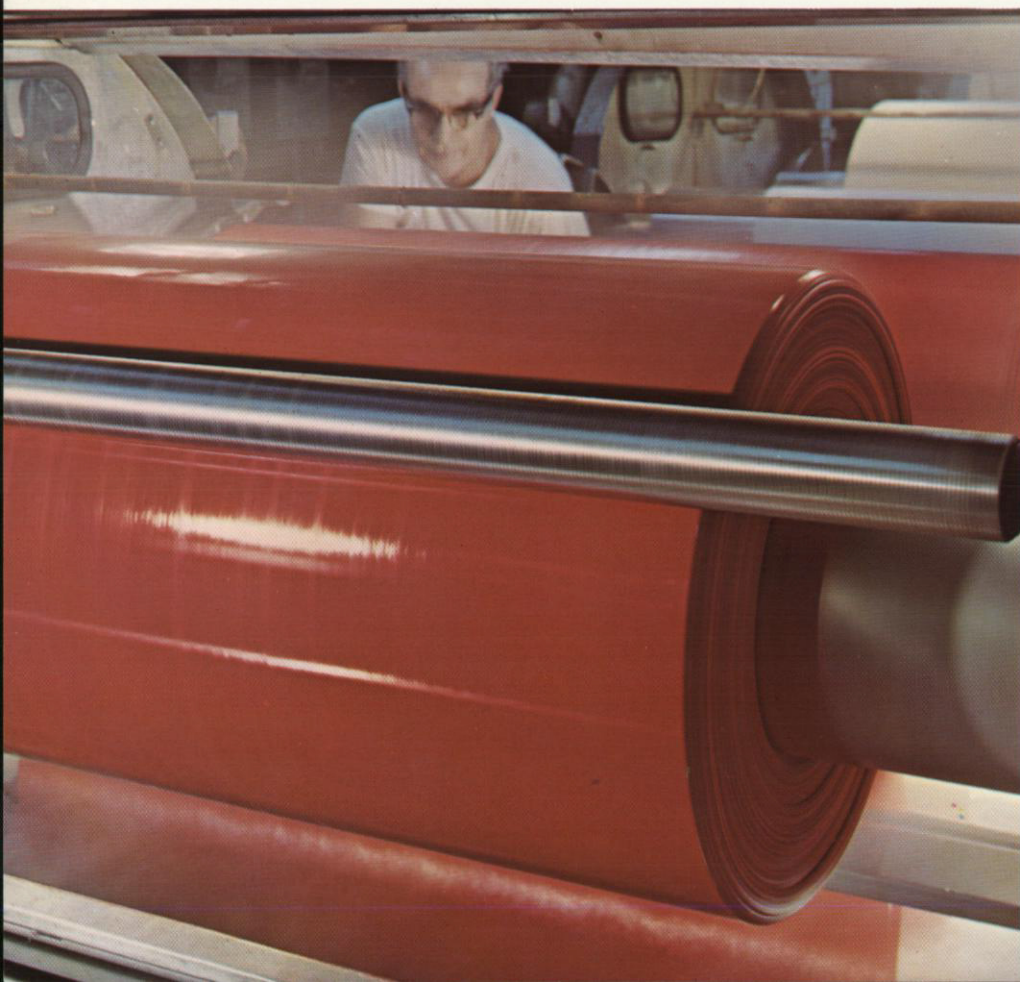
Considerable constructive activity was undertaken during the year in the direction of basic objectives—to use specialty skills in other geographic markets, to expand present businesses into closely related fields, to acquire other specialty chemical activities, and to strengthen product lines.

Construction of a new dyestuff plant near Brussels was begun by Althouse Tertre, S.A., our affiliate in Belgium. The new facility is expected to begin production during the second half of 1970.

Substantial progress was made in combining U.S. and European dyestuff technologies, in consolidating European marketing activities, and in improving customer service capabilities. Further sales growth from additional markets is

C & K colors bring out the ultimate in appearance—  
C & K flavors bring out the ultimate in taste.

Althouse Nylanthrene dyes in the hands of skillful technicians at Kenyon Piece Dye Works created this brilliant scarlet nylon outerwear fabric. Even distribution of the dye is assured by the stainless steel Flowtrue Log Roll developed by Althouse and manufactured by C & K's Hunter Division.











Althouse Tertre technician matches shades on customer fabrics to meet end use specifications. Modern laboratories in Pennsylvania, South Carolina, and Belgium assure fast service to North American and European customers.

expected as a result of technology supplied by Althouse Tertre and a number of its products will be made available to customers in the Western Hemisphere.

An important addition to the specialty chemicals business was the acquisition in April of Orlex Dyes & Chemicals Corporation. This New York subsidiary imports organic intermediates essential to the manufacture of industrial and agricultural chemicals, pharmaceuticals, photographic products, and dyestuffs. Plans have been made to broaden association with overseas suppliers, to

strengthen United States marketing activity, and to begin sales efforts in the more promising markets outside the United States.

Our position in extracts, flavors, and fragrances in Belgium and the Netherlands is expected to grow due to expansion of marketing activities into other major consumer markets in Western Europe and the United States. A constructive step in this direction was taken in 1969 with the establishment of a new flavors laboratory in Somerset, N.J. A special marketing organization is also being developed in the United States. Products to be handled by this group will include essential oils, synthetic chemicals, flavor specialties, as well as the food, drug, and cosmetic colors made by the Althouse Division.

About 24 % of Althouse 1969 sales involved products developed in the past three years, major factors in increased volume during the year. New product contributions included a series of dyes developed especially for low liquor ratio dyeing of nylon fabrics, and the addition of new colors to this series. Substantial progress was made in the development and marketing of disperse dyes for polyester fibers and modified basic dyes for acrylic fibers—growth areas scheduled for increased marketing emphasis.

During the year it became apparent that the demands arising from the growth of other businesses made it impractical to continue to devote management and financial resources to the small and unrelated reinforced plastics business. This led to plans for the divestment of this business early in 1970.

The broadened foundation of the Chemicals Group, both in the United States and Europe, promises an especially favorable outlook for 1970.



# WIRE AND PLASTICS MACHINERY

*Sales \$17,400,000*

*Extrusion systems for insulated wire and cable, plastic pipe, sheet, blown and slit film, synthetic fibers, plastics compounding and extruded rubber products*

*Two plants located in Connecticut and Michigan*

Expanding markets of the principal industries served by the Wire and Plastics Machinery Group led to significant increases in sales and earnings in 1969.

Wire and cable insulating machinery business was active in 1969, primarily for utility power cables. The telephone wire and cable market revived in the latter part of the year after being dormant for more than two years. Prospects for

Who's talking? The whole world is, much of it by telephone through billions of miles of wire such as this insulated on Davis-Standard systems by The Ansonia Wire & Cable Company.







**thermatic**

ELECTRIC  
system **Silcon-VI**



This versatile Davis-Standard/Goulding installation in C & K's customer service laboratory is the type of system which produces much of the film consumed in the fast growing plastic film market.

telephone wire insulating machinery lines are excellent for 1970.

Building and construction wire was also an important market for Davis-Standard insulation systems. An exclusive license concluded in October to manufacture and market the DeCombe high speed fully automatic wire coiler strengthens our position in this important market.

Process lines for plastic sheet, used in packaging, construction, automotive components and many other end products, provided an active market during the year with the Davis-Standard/Goulding sheet line capturing a major share of available orders.

Other segments of the plastics processing industry which produced major sales include plastic pipe lines, used for the production of pipe for building construction, sewers, irrigation and special chemical applications; plastic profile lines for the formation of continuous shapes such as house siding, decorative fences, moldings and bar shapes; and compounding systems for the blending of plastic resins and colors in preparation for use by the processors.

Participation in blown film, the process supplying a great variety of packaging material for food markets, dry cleaners and laundries, and general merchandise items, is increasing rapidly and is being accelerated with new product

development. The extrusion of rubber shapes, while not a new process, is growing through modernization and is becoming a significant contributor to sales.

An increasing percentage of sales relates to international markets, especially Canada and South America. Additional direct sales coverage has been provided to insure the future growth of sales in these areas. Our Japanese affiliate, Nihon Davis-Standard, dominant in the wire and cable insulating machinery market in the Far Eastern trading area, continued to make excellent progress. Growth performance of licensees in Europe and Australia was satisfactory.

Marketing and technical efforts are directed toward supplying complete extrusion process systems as well as selling individual machines. Under this approach, the customer buys, in addition to machinery, technical assistance and a complete process system, and looks to one responsible source rather than to several. Capability in this approach, combining technical and product availability, is an important factor in increasing sales.

Customer order backlog is higher than a year ago. This and the orderly 1969 growth and improvement in marketing, product development, and operational systems, assure a firm foundation from which to capitalize on the bright opportunities facing us for 1970.



# PACKAGING MACHINERY

*Sales \$4,400,000*

*Packaging machinery for cartoning, overwrapping or pouching drugs, pharmaceuticals and cosmetics, bakery and dairy products, candies, meats, paper products, and other industrial items*

*Two plants located in Illinois and Massachusetts*

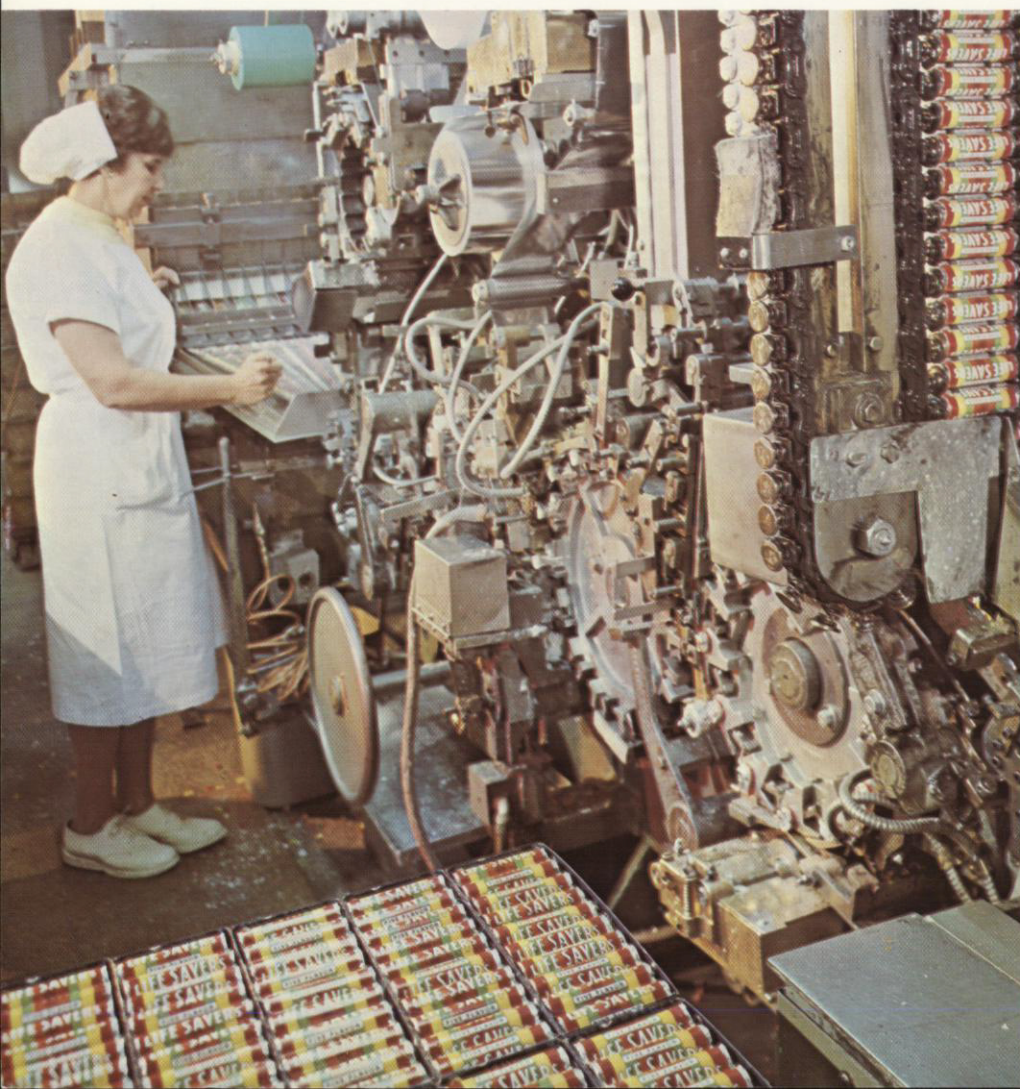
Sales of packaging machinery in 1969 were somewhat below the all-time record of 1968, mostly because of rescheduled buying by food and pharmaceutical manufacturers. This lower volume together with cost pressures led to 1969 net earnings also being slightly lower.

Marketing and machine development programs are tailored to take advantage of technological improvements in packaging materials, the aggressive use of packaging by food, drug and cosmetic manufacturers to sell their products, fluctuating prices for packaging materials,

and the necessity for higher speeds and greater automation to offset rising labor costs in customer industries.

The new DW12 overwrapper for packaging bakery and confectionery products at speeds of up to 200 a minute, approximately 50 per cent faster than preceding models, was brought to market. Further significant product line broadening came about with the introduction late in the year of the new Vertafil cartoner engineered to package free flowing materials as diverse as detergents, rice, cereals, seeds and fertilizers into cartons at speeds of more than 180 a minute.

Results for 1970 will be better than those of 1969, based on booked orders and the current outlook for the industry.



All Life Savers in the familiar size are packaged on C & K's Redington roll wrappers.



# CONSOLIDATED EARNINGS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1969 WITH COMPARATIVE FIGURES FOR 1968

|                                                                                                      | 1969         | 1968       |
|------------------------------------------------------------------------------------------------------|--------------|------------|
| Net sales                                                                                            | \$84,851,611 | 76,011,228 |
| Cost of sales                                                                                        | 62,055,996   | 57,285,121 |
| Gross profit, exclusive of depreciation                                                              | 22,795,615   | 18,726,107 |
| Royalties and commissions income                                                                     | 523,892      | 665,955    |
| Other income, net                                                                                    | 215,080      | 314,770    |
|                                                                                                      | 23,534,587   | 19,706,832 |
| Selling, general and administrative expenses                                                         | 13,302,679   | 10,914,414 |
| Depreciation                                                                                         | 1,769,363    | 1,511,203  |
| Interest expense                                                                                     | 850,320      | 610,719    |
|                                                                                                      | 15,922,362   | 13,036,336 |
| Earnings before income and state taxes                                                               | 7,612,225    | 6,670,496  |
| Income and state taxes:                                                                              |              |            |
| Federal and foreign income taxes                                                                     | 3,432,946    | 3,207,355  |
| State taxes                                                                                          | 535,569      | 449,380    |
|                                                                                                      | 3,968,515    | 3,656,735  |
| NET EARNINGS FOR THE YEAR                                                                            | 3,643,710    | 3,013,761  |
| Retained earnings at beginning of year                                                               | 22,817,047   | 21,454,915 |
| Addition resulting from pooled acquisitions (note 1)                                                 | 683,608      | —          |
| As restated                                                                                          | 23,500,655   | 21,454,915 |
|                                                                                                      | 27,144,365   | 24,468,676 |
| Deduct cash dividends paid, \$.80 per share                                                          | 1,691,343    | 1,651,629  |
| Retained earnings at end of year                                                                     | \$25,453,022 | 22,817,047 |
| Net earnings per share based on the weighted average number of shares outstanding each year (note 6) | \$ 1.69      | 1.46       |

See accompanying notes to financial statements.



# CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1969 WITH COMPARATIVE FIGURES FOR 1968

## ASSETS

|                                                                                                                                       | 1969                 | 1968*             |
|---------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------|
| Current assets:                                                                                                                       |                      |                   |
| Cash                                                                                                                                  | \$ 1,538,427         | 2,117,508         |
| Marketable securities, at cost<br>(market—\$64,070) plus accrued interest                                                             | 98,360               | 338,710           |
| Notes and accounts receivable, less allowance for doubtful items<br>\$365,382 (1968 — \$262,935)                                      | 15,426,225           | 15,677,243        |
| Inventories, at the lower of first-in, first-out cost or market:                                                                      |                      |                   |
| Finished goods and manufactured parts                                                                                                 | 11,106,433           | 8,724,858         |
| Work in process                                                                                                                       | 3,887,430            | 4,536,380         |
| Raw materials and supplies                                                                                                            | 3,712,202            | 4,294,532         |
| Total inventories                                                                                                                     | 18,706,065           | 17,555,770        |
| Prepaid expenses                                                                                                                      | 1,171,761            | 976,754           |
| Total current assets                                                                                                                  | 36,940,838           | 36,665,985        |
| Other assets:                                                                                                                         |                      |                   |
| Investment in non-consolidated subsidiaries,<br>at equity in net assets (note 1)                                                      | 1,414,032            | 266,514           |
| Other                                                                                                                                 | 302,934              | 814,566           |
| Total other assets                                                                                                                    | 1,716,966            | 1,081,080         |
| Property, plant and equipment at cost, less accumulated depreciation<br>and amortization of \$19,122,062 (1968—\$17,472,214) (note 2) | 15,278,228           | 14,597,035        |
| Formulae, trademarks, trade names, patents and patent rights, less<br>accumulated amortization \$493,003 (1968 — \$426,689)           | 372,057              | 422,863           |
| Costs of acquisitions in excess of underlying<br>net book values                                                                      | 4,888,986            | 4,888,986         |
|                                                                                                                                       | <u>\$ 59,197,075</u> | <u>57,655,949</u> |

\*Certain accounts have been reclassified to conform to 1969 presentation.

See accompanying notes to financial statements.



# LIABILITIES AND STOCKHOLDERS' EQUITY

|                                                                            | 1969         | 1968       |
|----------------------------------------------------------------------------|--------------|------------|
| Current liabilities:                                                       |              |            |
| Notes payable to banks and installments on long-term debt (note 3)         | \$ 3,529,093 | 2,843,561  |
| Accounts payable and accrued expenses                                      | 8,334,751    | 9,694,000  |
| Federal and foreign income taxes and state taxes                           | 1,655,036    | 2,042,476  |
| Total current liabilities                                                  | 13,518,880   | 14,580,037 |
| Pensions (note 4)                                                          | 405,000      | 486,000    |
| Long-term debt (note 3)                                                    | 7,330,191    | 7,308,596  |
| Deferred Federal income taxes (note 5)                                     | 2,035,382    | 2,158,746  |
| Stockholders' equity:                                                      |              |            |
| Common stock, \$5 par value:                                               |              |            |
| Authorized 4,000,000 shares                                                |              |            |
| Issued 2,181,364 shares (2,096,364 shares in 1968) (note 1)                | 10,906,820   | 10,481,820 |
| Additional paid-in capital (note 7)                                        | —            | 35,168     |
| Retained earnings                                                          | 25,453,022   | 22,817,047 |
|                                                                            | 36,359,842   | 33,334,035 |
| Less 31,590 shares held in treasury, at cost (1968—28,923 shares) (note 7) | 452,220      | 211,465    |
| Total stockholders' equity                                                 | 35,907,622   | 33,122,570 |
|                                                                            | \$59,197,075 | 57,655,949 |



# NOTES TO FINANCIAL STATEMENTS

## (1) Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries except three wholly owned and one 75 % owned subsidiary, considered to be not material. The investments in the non-consolidated subsidiaries are carried at the Company's equity in their net assets, and the earnings (losses) for the year are included in other income.

Operations of two 1969 acquisitions, accounted for as poolings of interest, have been included in the statement of earnings since January 1, 1969. The effect on 1969 earnings per share was not material.

## (2) Property, Plant and Equipment

Property, plant and equipment at cost:

|                                                              | 1969                | 1968              |
|--------------------------------------------------------------|---------------------|-------------------|
| Land . . . . .                                               | \$ 929,074          | 725,242           |
| Building and building improvements . . . . .                 | 10,461,687          | 9,740,497         |
| Machinery and equipment . . . . .                            | 18,224,559          | 16,913,078        |
| Machinery leased to customers . . . . .                      | 680,978             | 577,428           |
| Furniture and fixtures and miscellaneous equipment . . . . . | 2,645,554           | 2,436,236         |
| Patterns, drawings, jigs, fixtures and small tools . . . . . | 1,286,300           | 1,286,300         |
| Construction in progress . . . . .                           | 172,138             | 390,468           |
|                                                              | <u>\$34,400,290</u> | <u>32,069,249</u> |

Depreciation of property, plant and equipment is computed generally on the straight-line method at rates which are sufficient to write off the cost of the assets over their estimated useful lives. Rates used are: buildings and building improvements 2%–20%; machinery and equipment 3%–20%; furniture and fixtures and miscellaneous equipment 4%–33½ %.

## (3) Long-term Debt

|                                                                                        | Long-term          | Current installments |
|----------------------------------------------------------------------------------------|--------------------|----------------------|
| 5 % sinking fund note payable in annual installments of \$265,000 until 1982 . . . . . | \$3,175,000        | 265,000              |
| 7.85 % notes due in equal installments from 1976 through 1989 . . . . .                | 1,500,000          | —                    |
| 7.15 % notes due in equal installments from 1972 through 1978 . . . . .                | 1,393,728          | —                    |
| 4 ½ % to 7 ¼ % notes maturing through 1979 . . . . .                                   | 1,261,463          | 232,408              |
|                                                                                        | <u>\$7,330,191</u> | <u>497,408</u>       |

## (4) Pensions

The Company and its subsidiaries have non-contributory pension plans covering substantially all of their employees, the costs of which are being funded in accordance with generally accepted actuarial methods which provide for the payment of current service costs plus the amortization of past service costs over periods not exceeding thirty years. Total pension expense for the year, before applying the credit described below, was \$1,152,879 including amortization of past service costs. As a result of 1964 amendments to several of the plans, \$405,000 (net after taxes) included in liabilities in the accompanying balance sheet is no longer required and is being credited to earnings at the rate of \$81,000 per year. The actuarially computed value of vested benefits as of January 1, 1969 exceeded by an amount estimated to be \$1,300,000 the sum of the pension fund assets, valued at cost, plus the balance sheet accrual for pensions.

## (5) Investment Credit

Benefits derived from the investment credit provided by the Revenue Act of 1962 are being deferred ratably to future opera-

tions. The balance at December 31, 1969, \$540,800, is included in Deferred Federal Income Taxes.

## (6) Stock Options

The Company's 1966 Qualified Stock Option Plan provides for granting options to officers and key employees to purchase 100,000 shares of the Company's common stock at prices not less than 100 % of the market value on the date of grant. Options are exercisable on a cumulative basis between two and five years from the date granted. At December 31, 1969, 2,000 shares were available for future grants.

Options were granted during the year to purchase 41,000 shares at prices ranging from \$17.25 to \$22.25 a share. There were outstanding under this plan at December 31, 1969 options to purchase 92,667 shares, net of cancellation of 1,000 shares, at prices ranging from \$15.44 to \$22.25 a share. During the year, options were exercised to purchase 5,333 shares at \$15.44 a share or a total of \$82,328 compared with market prices ranging from \$20.69 to \$22.50 a share or a total of \$116,369. At December 31, 1969, options to purchase 13,664 shares were exercisable under this plan at prices ranging from \$15.44 to \$17.75 a share.

Under an earlier plan, there were outstanding at December 31, 1969 options to purchase 12,400 shares, net of cancellation of 5,000 shares, at prices ranging from \$10.63 to \$16.75 a share. At December 31, 1969, options to purchase 6,600 shares were exercisable.

The Company has not included reserved option shares of its common stock in the calculation of net earnings per share since the effect of such inclusion would not be material.

## (7) Additional Paid-in Capital

|                                                                                                                       |                |
|-----------------------------------------------------------------------------------------------------------------------|----------------|
| Balance at beginning of year . . . . .                                                                                | \$ 35,168      |
| Add: Excess of fair value over cost of 11,500 shares of treasury stock issued under a restricted stock plan . . . . . | 115,956        |
| Excess of proceeds of stock sold under stock options over the cost of such stock to the Company . . . . .             | 4,976          |
|                                                                                                                       | <u>156,100</u> |

Deduct: Excess of par value of 85,000 shares of previously unissued common stock over capital stock of two subsidiaries acquired during the year . . . . .

## (8) Long-term Leases

Real estate and production facilities are being leased by the Company under long-term agreements. Pertinent details of the leases are summarized below:

|                                                      | Initial term (years) | Expiration date | Average annual rentals |
|------------------------------------------------------|----------------------|-----------------|------------------------|
| Land and buildings (4 leases for 5 plants) . . . . . | 20–25                | 1985–1989       | \$503,000              |
| Machinery and equipment (9 leases) . . . . .         | 5–10                 | 1972–1976       | 476,700                |

In addition to the annual rentals stated above, the Company is required to pay insurance, real estate taxes, maintenance and repairs, etc.

The leases on four of the plants, which are owned by four of the Company's pension trusts, provide for renewal options of two additional five-year periods and thereafter on a year-to-year basis at an annual rental of 40 % of the rent to be paid during the last year of the initial term of the leases. The lease on the remaining plant provides for renewal options of two additional five-year periods at \$10,000 per year.

The Company has the option to purchase the machinery and equipment covered by one ten-year lease at prices substantially equivalent to the present value of the unpaid lease payments. All other machinery and equipment leases provide for subsequent unlimited one-year renewals at nominal rentals.



# SOURCE AND USE OF FUNDS

YEAR ENDED DECEMBER 31, 1969 WITH COMPARATIVE FIGURES FOR 1968

|                                                                                 | 1969        | 1968      |
|---------------------------------------------------------------------------------|-------------|-----------|
| <b>FUNDS WERE PROVIDED BY:</b>                                                  |             |           |
| Net earnings after all charges                                                  | \$3,643,710 | 3,013,761 |
| Charges to earnings, such as depreciation and amortization, not requiring funds | 1,807,757   | 1,769,239 |
| Funds from earnings for the year                                                | 5,451,467   | 4,783,000 |
| Sale of marketable securities                                                   | 599,650     | —         |
| Long-term debt increase (decrease)                                              | (243,405)   | 3,539,602 |
| Net increase in working capital resulting from subsidiaries acquired            | 594,400     | —         |
| Plant and equipment retired, less accumulated depreciation                      | 252,025     | 183,254   |
| Sale of 5,333 (2,600 – 1968) shares of treasury stock under stock option plan   | 82,328      | 14,500    |
| Total funds provided                                                            | \$6,736,465 | 8,520,356 |
| <b>FUNDS WERE USED FOR:</b>                                                     |             |           |
| Cash dividends paid to stockholders at the rate of \$.80 per share              | 1,691,343   | 1,651,629 |
| Purchase of machinery, equipment and other productive facilities                | 2,051,898   | 2,986,344 |
| Increase (decrease) in investments in non-consolidated subsidiaries             | 1,147,518   | (118,563) |
| Purchase of 19,500 shares of treasury stock                                     | 366,025     | —         |
| Book value of plant and equipment of businesses acquired                        | —           | 692,206   |
| Costs of acquisitions in excess of underlying net book values                   | —           | 2,096,406 |
| Other                                                                           | 143,671     | 208,928   |
| Increase in working capital                                                     | 1,336,010   | 1,003,406 |
| Total funds used                                                                | \$6,736,465 | 8,520,356 |

## THE BOARD OF DIRECTORS AND STOCKHOLDERS CROMPTON & KNOWLES CORPORATION:

We have examined the consolidated balance sheet of Crompton & Knowles Corporation and subsidiaries as of December 31, 1969 and the related statement of earnings and retained earnings and the consolidated source and use of funds statement for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of Crompton & Knowles Corporation and subsidiaries at December 31, 1969 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying consolidated source and use of funds statement for the year ended December 31, 1969 presents fairly the information shown therein.

January 21, 1970

*Peat, Marwick, Mitchell & Co.*



# RECORD OF GROWTH- 10 YEARS ENDED DECEMBER 31, 1969

WITH COMPARATIVE FIGURES FOR 1954

|                                                                                                       | 1969                                                              | 1968                                                            | 1967                                                            | 1966                                                            |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| <b>OPERATIONS</b>                                                                                     |                                                                   |                                                                 |                                                                 |                                                                 |
| Net sales                                                                                             | \$84,851,611                                                      | 76,011,228                                                      | 66,120,296                                                      | 66,142,900                                                      |
| Earnings before income and state taxes                                                                | \$ 7,612,225                                                      | 6,670,496                                                       | 4,674,433                                                       | 5,889,373                                                       |
| Federal and foreign income and state taxes                                                            | \$ 3,968,515                                                      | 3,656,735                                                       | 2,345,735                                                       | 2,965,941                                                       |
| Net earnings                                                                                          | \$ 3,643,710                                                      | 3,013,761                                                       | 2,328,698                                                       | 2,923,432                                                       |
| Net earnings as a per cent of sales                                                                   | 4.3                                                               | 4.0                                                             | 3.5                                                             | 4.4                                                             |
| Dividends paid                                                                                        | \$ 1,691,343                                                      | 1,651,629                                                       | 1,636,423                                                       | 1,604,686                                                       |
| Depreciation                                                                                          | \$ 1,769,363                                                      | 1,511,203                                                       | 1,373,419                                                       | 1,291,295                                                       |
| <b>FINANCIAL POSITION</b>                                                                             |                                                                   |                                                                 |                                                                 |                                                                 |
| Current assets                                                                                        | \$36,940,838                                                      | 36,665,985                                                      | 32,707,636                                                      | 31,637,308                                                      |
| Current liabilities                                                                                   | \$13,518,880                                                      | 14,580,037                                                      | 11,625,094                                                      | 11,559,592                                                      |
| Working capital                                                                                       | \$23,421,958                                                      | 22,085,948                                                      | 21,082,542                                                      | 20,077,716                                                      |
| Ratio of working capital                                                                              | 2.7                                                               | 2.5                                                             | 2.8                                                             | 2.7                                                             |
| Long-term debt                                                                                        | \$ 7,330,191                                                      | 7,308,596                                                       | 3,768,994                                                       | 4,062,474                                                       |
| Capital expenditures (excluding amounts acquired on acquisition of subsidiaries and going businesses) | \$ 2,051,898                                                      | 2,986,344                                                       | 1,440,328                                                       | 1,971,231                                                       |
| Stockholders' equity                                                                                  | \$35,907,622                                                      | 33,122,570                                                      | 31,629,420                                                      | 30,237,145                                                      |
| <b>OTHER STATISTICS</b>                                                                               |                                                                   |                                                                 |                                                                 |                                                                 |
| Per share:                                                                                            |                                                                   |                                                                 |                                                                 |                                                                 |
| Net earnings                                                                                          | \$ 1.69                                                           | 1.46                                                            | 1.13                                                            | 1.46                                                            |
| Dividends paid                                                                                        | \$ .80                                                            | .80                                                             | .80                                                             | .80                                                             |
| Working capital                                                                                       | \$ 10.90                                                          | 10.68                                                           | 10.24                                                           | 10.03                                                           |
| Stockholders' equity                                                                                  | \$ 16.70                                                          | 16.02                                                           | 15.36                                                           | 15.11                                                           |
| Market price, high-low                                                                                | \$26 <sup>7</sup> / <sub>8</sub> - 13 <sup>1</sup> / <sub>2</sub> | 26 <sup>3</sup> / <sub>4</sub> - 14 <sup>1</sup> / <sub>2</sub> | 21 <sup>1</sup> / <sub>4</sub> - 14 <sup>1</sup> / <sub>4</sub> | 28 <sup>1</sup> / <sub>8</sub> - 13 <sup>1</sup> / <sub>2</sub> |
| Average shares outstanding                                                                            | 2,152,999                                                         | 2,064,536                                                       | 2,060,186                                                       | 2,002,970                                                       |
| Net earnings as a per cent of stockholders' equity at beginning of year                               | 11.0                                                              | 9.5                                                             | 7.7                                                             | 10.1                                                            |



| 1965       | 1964       | 1963       | 1962       | 1961       | 1960       | 1954       |
|------------|------------|------------|------------|------------|------------|------------|
| 62,001,703 | 52,354,356 | 45,580,820 | 44,350,017 | 32,650,669 | 31,142,645 | 14,242,562 |
| 6,924,922  | 6,345,600  | 5,507,120  | 4,302,151  | 5,163,214  | 5,174,536  | 83,464     |
| 3,767,116  | 3,654,733  | 3,249,100  | 2,362,475  | 2,570,000  | 2,656,500  | (147,194)  |
| 3,157,806  | 2,690,867  | 2,258,020  | 1,939,676  | 2,593,214  | 2,518,036  | 230,658    |
| 5.1        | 5.1        | 5.0        | 4.4        | 8.0        | 8.1        | 1.6        |
| 1,385,388  | 1,164,232  | 1,158,160  | 1,158,949  | 938,209    | 898,292    | 117,942    |
| 1,220,568  | 1,167,480  | 1,097,518  | 1,053,456  | 828,141    | 781,652    | 455,297    |
| 28,737,661 | 26,543,620 | 24,236,878 | 22,458,729 | 18,697,992 | 18,023,154 | 12,461,835 |
| 9,429,664  | 8,227,940  | 7,518,875  | 6,562,136  | 7,423,772  | 5,248,293  | 2,075,647  |
| 19,307,997 | 18,315,680 | 16,718,003 | 15,896,593 | 11,274,220 | 12,774,861 | 10,386,188 |
| 3.0        | 3.2        | 3.2        | 3.4        | 2.5        | 3.4        | 6.0        |
| 4,555,954  | 5,070,434  | 5,383,914  | 5,676,994  | 1,263,000  | 1,481,555  | 1,600,000  |
| 1,978,228  | 1,445,479  | 1,293,079  | 1,011,087  | 1,240,703  | 1,172,654  | 204,093    |
| 28,857,573 | 28,180,013 | 26,548,959 | 25,544,704 | 23,848,982 | 22,779,963 | 18,847,317 |
| 1.59       | 1.39       | 1.17       | 1.00       | 1.37       | 1.32       | .12        |
| .70        | .60        | .60        | .60        | .50        | .50        | .06        |
| 9.66       | 9.30       | 8.68       | 8.22       | 6.03       | 6.63       | 5.50       |
| 14.44      | 14.31      | 13.78      | 13.21      | 12.75      | 11.82      | 9.99       |
| 26½-14¼    | 17½-11⅞    | 13½-10⅞    | 17⅞-9      | 19⅞-11⅞    | 12-8       | 4½-2⅞      |
| 1,981,128  | 1,940,384  | 1,929,932  | 1,930,750  | 1,887,584  | 1,906,584  | 1,887,072  |
| 11.2       | 10.1       | 8.8        | 8.1        | 11.4       | 12.4       | 1.2        |

Amounts per share are stated after appropriate adjustments for the stock splits effective May 18, 1960 and March 29, 1966 and for the number of shares held in treasury. 1954 Federal tax provision stated after reflecting claim for refund arising from a tax loss carry-back.



## OFFICERS

Frederic W. Howe, Jr.  
Chairman

Frank J. Graziano  
President

James Barringer  
Executive Vice President,  
Treasurer

James H. Hunter  
Vice President

William O. Fisher  
Vice President

James W. L. Monkman  
Vice President

William H. Preston  
Vice President

J. Joseph Cranmore  
Vice President

Robert T. James  
Vice President

Charles B. Helms  
Controller,  
Assistant Treasurer

Roger R. Bradford  
Assistant Treasurer,  
Secretary

Howard W. Moore  
Assistant Treasurer

## DIRECTORS

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Executive Vice President

Edward L. Clifford  
President,  
Worcester County National Bank,  
Worcester

J. Joseph Cranmore  
Vice President

William O. Fisher  
Vice President

Carl S. Forsythe  
Partner,  
Forsythe, McGovern, Pearson & Nash,  
New York

Frank J. Graziano  
President

Frederic W. Howe, Jr.  
Chairman

James H. Hunter  
Vice President

John Jeppson  
President,  
Norton Company,  
Worcester

James W. L. Monkman  
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William H. Preston  
Vice President

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Warner & Stackpole,  
Boston

Robert W. Stoddard  
Chairman of the Board,  
Wyman-Gordon Co.,  
Worcester

John C. Whitehead  
Partner,  
Goldman, Sachs & Co.,  
New York

### TRANSFER AGENTS

First National City Bank, New York  
Worcester County National Bank,  
Worcester

### REGISTRARS

Morgan Guaranty Trust Company,  
New York  
Mechanics National Bank, Worcester

Common stock listed on the New  
York Stock Exchange. Symbol CNK.

The annual meeting of stockholders  
will be held at the Company's offices  
in Worcester on April 14, 1970.







